

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 22, 2020

Proposed Resolution W-5220

Agenda ID: 18345

To: All Interested Persons

Enclosed is Proposed Resolution W-5220 of the Water Division, which authorizes Del Oro Water Company to extend its Statewide Lost Revenue Surcharge of \$10.54 per month per customer by the earlier of three months or approval of the utility's General Rate Case. Proposed Resolution W-5220 is scheduled to appear on the May 21, 2020 Commission Meeting Agenda (ID# 18345).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5220 via email to Water.Division@cpuc.ca.gov on or before **May 11, 2020**. Please reference **"Proposed Resolution W-5220"** in the subject line.

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Water Division. If email is unavailable, please submit comments to:

California Public Utilities Commission
Water Division
505 Van Ness Avenue
San Francisco, CA 94102

Comments should focus on factual, legal, technical errors, or policy issues in the proposed resolution.

Persons interested in receiving comments submitted may contact the Water Division at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5220."

/s/ BRUCE DEBERRY

Bruce DeBerry, Program Manager
Water Division

Enclosures: Proposed Resolution W-5220
Certificate of Service
Service List

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5220
May 21, 2020

RESOLUTION

(RES. W-5220) DEL ORO WATER COMPANY, INC. ORDER
AUTHORIZING AN EXTENSION OF THE STATEWIDE
LOST REVENUE SURCHARGE OF \$10.54 PER MONTH PER
CUSTOMER, BY THE EARLIER OF THREE MONTHS OR
THE APPROVAL OF THE UTILITY'S GENERAL RATE
CASE.

SUMMARY

By Advice Letter (AL) 521-W, filed on April 3, 2020, Del Oro Water Company, Inc. (Del Oro) seeks authority to extend its Statewide Lost Revenue Surcharge, a monthly surcharge of \$10.54 per customer to recover lost revenues recorded in its Lost Revenue Balancing Account (LRBA), until the approval of the utility's General Rate Case (GRC) for Test Year (TY) 2020.

This Resolution authorizes an extension of the Statewide Lost Revenue Surcharge of \$10.54 per customer per monthly billing by the earlier of three months or the approval of Del Oro's TY 2020 GRC.

BACKGROUND

The state of California faced its deadliest and most destructive wildfire when the Camp Fire struck the town of Paradise and the community of Concow on November 8, 2018. The fire covered an area of 153,336 acres and destroyed around 18,804 structures. Governor Newsom also issued a proclamation declaring a State of Emergency for Butte County on November 8, 2018. Unfortunately, the community of Concow and the town of Paradise were destroyed within the first six hours of the fire, losing an estimated 95 percent of their buildings. The town of Magalia also suffered substantial damage, and the community of Pulga suffered losses as well. The fire eventually reached 100 percent containment after seventeen days on November 25, 2018.

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The Camp Fire caused significant damage to Del Oro's Paradise Pines, Magalia, Lime Saddle, and Buzztail Districts. Del Oro suffered losses of its customer base of 38% in its Paradise Pines District; 50% of its Lime Saddle District; 89% of its Magalia District; and 34% of its Buzztail District. This reduced Del Oro's total customer base by 26%, with a total of 2,221 service connections lost. The significant loss of customers in Del Oro's four affected districts has led to revenue shortfalls of over \$100,000 per month compared to previously authorized revenue requirements

On March 1, 2019, Del Oro filed AL 511-W seeking to recover \$800,000 in lost revenues expected to be recorded in the utility's Lost Revenue Memorandum Account (LRMA) through a proposed surcharge of \$10.54 per customer per monthly billing across all of its districts for a period of 12 months.

Commission Resolution (Res.) W-5193, effective May 30, 2019, granted Del Oro the authority to change the LRMA to the Lost Revenue Balancing Account (LRBA) and to implement the proposed monthly surcharge of \$10.54 for 12 months to recover the lost revenue balance of \$800,000 expected to be recorded in its LRMA. Del Oro has designated this as the Statewide Lost Revenue Surcharge.

Del Oro, a Class B water utility¹, has requested authority under General Order (GO) 96-B and Section 454 of the Public Utilities Code to extend its existing surcharge of \$10.54 to recover lost revenues recorded in in the utility's LRBA.

Del Oro's present rates became effective on January 1, 2020, by AL 517-W, which authorized a 2019 Consumer Price Index (CPI) interim rate increase of 1.9% for each of its districts.

NOTICE AND PROTESTS

In accordance with GO. 96-B, Del Oro served a copy of AL 521-W to its service list on April 3, 2020. A notice of the proposed surcharge extension was mailed to each customer and to the general service list on April 3, 2020 as well.

¹ Per Commission GO 96-B, a water utility is Class B if it serves 2,001 through 10,000 service connections.

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Four customer protests were received by email or letter in addition to 14 phone calls taken by the utility's Call Center. Several customers had concerns about the lack of a start and end date for the surcharge extension in Del Oro's request. Customers mainly protested the continuation of the surcharge beyond the initial 12-month period. Other protests were concerned about the financial hardship on customers that are on a fixed income, retired, elderly, and/or physically disabled.

Del Oro in its responses to the protests, explained that the surcharge extension was requested to keep the utility fully operational and to mitigate the revenue shortfall generated from the loss of customers due to the Camp Fire. The utility informed customers that the surcharge extension would not result in additional profits.

Regarding the customers' concerns over a start and end date for the extension, this Resolution specifies that: the start date is the effective date of this Resolution and the end date is the sooner of three months or when the Commission approves Del Oro's GRC.

DISCUSSION

Per Res. W-5193, Del Oro was ordered to file a GRC prior to the expiration of the surcharge to adjust the previously authorized sales forecast for the affected districts to account for the number of service connections lost from the Camp Fire. The purpose of the forecast adjustment is to prevent Del Oro from accumulating further large balances of anticipated revenue shortfalls by adjusting the previously authorized revenue requirements to take into account the reduction in customers.

On December 20, 2019, Del Oro filed AL 516-W as the utility's proposed Statewide Stabilization GRC designed to offset the revenue shortfalls from the four districts impacted by the Camp Fire across all of its districts.

Due to factors beyond the Commission's control including the ongoing COVID-19 pandemic resulting in Shelter-in-Place orders across all of California, the Water Division (WD) anticipates the review and approval of Del Oro's GRC to occur after the LRBA surcharge expiration date of May 31, 2020.

By AL 511-W, Del Oro sought to collect \$800,000 from a potential \$1,218,116 expected to be recorded in lost revenues. As a result of the Camp Fire, Del Oro, through no fault of its own, incurred the loss of 2,221 service connections and has been experiencing

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revenue shortfalls of over \$100,000 per month since the Camp Fire occurred. Del Oro sought to recover a portion of the revenue shortfall from previously authorized rates by way of the surcharge, electing to absorb a portion of the shortfall while maintaining water service for its existing customers.

The WD reviewed the current under-collection revenue calculation in Del Oro's LRBA and concurs with the utility's computation. As of March 1, 2020, Del Oro has a recorded balance of \$788,729.48 in its LRBA including \$618,742.47 recovered from the surcharge to date and \$400,000 that the utility is absorbing. Additionally, the WD confirmed that the surcharge extension of up to three months will not result in Del Oro exceeding its last authorized Rate of Return (ROR) of 10.80%. The LRBA account balance has not been requested or covered by other authorized rates. Del Oro continues to operate under its previously authorized rates while incurring significant operating costs due to the Camp Fire.

Del Oro is currently engaged in litigation with its insurance agent and company but has been postponed due to the COVID-19 pandemic. The utility is also participating in the Class Action Lawsuit against PG&E regarding the Camp Fire which is still ongoing as well. The cost savings resulting from any of the litigation would be allocated back to the utility's customers and reflected in the LRBA to offset the revenue shortfall but has been delayed further due to recent events.

Without GRC approval of, Del Oro cannot implement new authorized rates which will account for the lost service connections and revenue shortfall. Additionally, after the surcharge expires on May 31, 2020, Del Oro will continue to incur the revenue shortfall without any form of financial mitigation which will impact service to its customers.

Therefore, the WD recommends that the Statewide Lost Revenue Surcharge be extended by the earlier of three months or approval of Del Oro's GRC such that the utility can continue to mitigate the revenue shortfall due to the Camp Fire and to maintain operations at a sufficient level to provide safe and reliable water service to all of its districts.

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COMPLIANCE

There are no outstanding compliance orders and Del Oro has been filing annual reports as required. Del Oro is currently in compliance of all State Water Resources Control Board, Division of Drinking Water applicable water quality standards and regulations.

UTILITY SAFETY

The approval of the surcharge extension requested by Del Oro will continue to provide the utility with the necessary financial resources to safely operate and maintain its operations for the benefit of its customers, employees, and members of the public.

COMMENTS

Public Utilities Code section 311(g)(1), provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission.

Accordingly, the draft resolution was mailed to the service list, protestants, and made available for public comment on April 22, 2020.

FINDINGS

1. Commission Resolution (Res.) W-5193 authorized Del Oro Water Company (Del Oro) to impose a surcharge of \$10.54 per customer per monthly billing across all of its districts for a period of twelve months to recover the amount of \$800,000 recorded in its Lost Revenue Memorandum Account (LRMA).
2. By Advice Letter (AL) No. 521-W, filed on April 3, 2020, Del Oro seeks to extend its LRMA surcharge by the earlier of three months or when Del Oro's General Rate Case (GRC) for Test Year (TY) 2020 is completed.
3. AL 521-W was served on the service list on April 3, 2020 in accordance with the provisions of General Order (GO) 96-B.

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4. A notice of the proposed surcharge extension was mailed to each of Del Oro's customers across each of its 19 districts.
5. 18 protests were received with Del Oro responding to each protest in a timely fashion.
6. Due to the ongoing COVID-19 situation and other factors outside of the Commission's control, the Water Division does not anticipate the GRC being approved by the surcharge expiration date of May 31, 2020.
7. The WD confirmed that the account balances in Del Oro's LRBA have not been requested or covered by other authorized rates and that the amounts claimed are reasonable and prudent for the services procured.
8. The surcharge extension period will not cause Del Oro to earn additional profit or exceed its last authorized Rate of Return (ROR) of 10.80%.
9. Del Oro incurred a loss of 2,221 service connections due to the Camp Fire.
10. Since the Camp Fire occurred, Del Oro has been experiencing revenue shortfalls of over \$100,000 per month.
11. Without the surcharge, Del Oro would not be able to mitigate the revenue shortfalls.
12. The surcharge allowed Del Oro to maintain utility operations at a sufficient level to provide safe and reliable water service. The surcharge extension would allow Del Oro to continue current service for the extension period.
13. Authority should be granted to Del Oro to extend the LRMA surcharge by the earlier of three months or upon Commission approval of the utility's GRC

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THEREFORE, IT IS ORDERED THAT:

1. Del Oro Water Company is permitted to extend its existing Lost Revenue Memorandum Account surcharge of \$10.54 per customer per monthly billing across all of its districts by the earlier of three months or when the utility's General Rate Case has been approved by the Commission.
2. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company to file a supplement to Advice Letter 521-W with the rate schedules for each district including the proposed surcharge extension and concurrently cancel its presently effective rate schedules. The effective date of the rate schedule shall be five days after the date of filing.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held May 21, 2020; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

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CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5220 on all parties in these filings or their attorneys as shown on the attached lists.

Dated April 22, 2020 at San Francisco, California.

/s/ROBIN BRYANT

Robin Bryant

Parties should notify the Water Division,
Third Floor, California Public Utilities
Commission, 505 Van Ness Avenue, San
Francisco, CA 94102, of any change of address
to ensure that they continue to receive
documents. You must indicate the Resolution
number on which your name appears.

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DEL ORO WATER COMPANY ADVICE LETTER 521-W SERVICE LIST

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